

Message Text

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1. SUMMARY. LABOR (CCU) AND THE GOI FURTHER EXPLORED AND CLARIFIED
THEIR POSITIONS AT AN EXHAUSTIVE BUT INCONCLUSIVE MEETING DECEMBER
15. THE GOI ANNOUNCED THAT PREPARATIONS ARE UNDERWAY FOR POSSIBLE
PETROLEUM AND MEAT RATIONING. THE GOI AND CCU WILL MEET AGAIN
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DECEMBER 29, AFTER UIL CENTRAL COMMITTEE MEETING THIS WEEK AND
CCU SECRETARIAT MEETINGS EARLY NEXT WEEK. LABOR COST AND PRODUCT-
IVITY NEGOTIATIONS BETWEEN CCU AND CONFINDUSTRIA ARE LIKELY TO
RESUME ONLY AFTER CCU'S NATIONAL DELEGATE ASSEMBLY JAN 7-8.
MEANWHILE, THE GOI AND CCU ARE NEGOTIATING DECEMBER 16 TO RESOLVE
THE PUBLIC EMPLOYEE CONTRACT RENEWAL IMPASSE AND STAVE OFF A

PROJECTED DECEMBER 21 GENERAL STRIKE. END SUMMARY.

2. THE LEADERS OF ITALY'S TRI-CONFEDERAL UMBRELLA LABOR FEDERATION (CCU) MET FOR 7 HOURS DECEMBER 15 WITH PM ANDREOTTI AND MEMBERS OF HIS CABINET. THE MEETING WAS INCONCLUSIVE EXCEPT THAT THE GOI ANNOUNCED IT IS SETTING MACHINERY IN MOTION TO BE ABLE TO INSTITUTE RATIONING OF PETROLEUM (HEATING OIL AND, POSSIBLY, GASOLINE) AND MEAT (ELIMINATING FRESH BEEF SALES ONE WEEK PER MONTH) WITHIN 20 DAYS, IF NECESSARY. THE CCU RECEIVED THIS POSITIVELY SINCE IT WAS ONE OF CCU'S OWN PROPOSALS.

3. MOST OF THE DISCUSSION REPORTEDLY REVOLVED AROUND THE ESCALATOR, LABOR COST REDUCTIONS AND "FISCALIZATION" (GOVERNMENT ASSUMPTION OF SOCIAL CONTRIBUTIONS NOW MADE BY INDUSTRY). THE CCU ASKED HOW MUCH LABOR COSTS HAD TO BE REDUCED BUT GOT A PRECISE ANSWER. LABOR EXPRESSED ITS WILLINGNESS TO UNTIE SEVERANCE PAY FROM THE ESCALATOR, TO "HOMOGENIZE" THE ESCALATOR TO ELIMINATE SPECIAL ADVANTAGES ENJOYED BY PRIVILEGED GROUPS OF WORKERS, AND TO MAKE CONCESSIONS ON HOLIDAYS, VACATIONS, SHIFTS, OVERTIME AND MOBILITY, BUT ONLY IF THE GOI AND CONFINDUSTRIA GUARANTEE NOT TO TOUCH THE ESCALATOR OTHERWISE. ANDREOTTI INSISTED THAT THE WAGE ESCALATOR SYSTEM MUST BE MODIFIED, BUT GOT NO CONCESSIONS. HOWEVER, THE PRESS REPORTED INDICATIONS OF POSSIBLE FURTHER ELASTICITY ON THE PART OF THE UNIONS IN RETURN FOR GOI COMMITMENTS ON INVESTMENTS. ANDREOTTI INSISTED ON POSTPONING UNTIL AFTER THE RESULTS OF CCU-CONFINDUSTRIA LABOR COST AND PRODUCTIVITY NEGOTIATIONS (NOW EVIDENTLY POSTPONED UNTIL AFTER JANUARY 8). FINAL GOI DECISIONS AS TO THE AMOUNT OF "FISCALIZATION" AND THE VALUE ADDED TAX (IVA) INCREASES TO FINANCE IT, AND AS TO ANY OTHER GOI MEASURES (PERHAPS REGARDING EVEN THE LIMITED OFFICIAL USE

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ESCALATOR) WHICH MIGHT THEN BE NECESSARY.

4. THE GOI PROVIDED ADDITIONAL INFORMATION ON SPENDING, INVESTMENT AND TAX PLANS IN RESPONSE TO CCU REQUESTS AT THE DECEMBER 4 MEETING (ROME 20017). SPECIFICALLY, GOI INDICATED THE AMOUNTS BUDGETED IN 1977 FOR INVESTMENT IN CONSTRUCTION, AGRICULTURE AND INDUSTRY, BUT SAID NO EXPENDITURES HAD BEEN BUDGETED FOR PUBLIC EMPLOYEE CONTRACT GAINS, AND FOR SEVERAL INVESTMENT ITEMS THE UNIONS CONSIDER CRITICAL. THE GOI REPORTEDLY INSISTED THAT VALUE ADDED, RATHER THAN INCOME, TAX RATE INCREASES WOULD BE USED TO FINANCE ANY GOVERNMENT ASSUMPTION (FISCALIZATION) OF SOCIAL CONTRIBUTIONS NOW MADE BY INDUSTRY.

5. THE UIL, WHICH HAS BEEN THE MOST RECALCITRANT OF THE THREE CONFEDERATIONS IN REGARD TO THE WAGE ESCALATOR SYSTEM, BEGINS ITS CENTRAL COMMITTEE MEETING DECEMBER 16. ACTUALLY, THE RECALCITRANTS IN THE UIL HAVE BEEN SOCIALIST-SOCIAL DEMOCRATIC

COALITION WHICH OUSTED REPUBLICAN RAFFAELE VANNI AS UIL PRESIDENT LAST SUMMER AND REPLACED HIM WITH SOCIALIST GIORGIO BENVENUTO. VANNI'S FOLLOWERS FAVOR A MORE FORTHCOMING POSITION ON THE ESCALATOR, SIMILAR TO THAT ADVOCATED BY THE CGIL'S COMMUNIST MAJORITY AND CISL MODERATES. ON THE OTHER HAND, THE CGIL SOCIALIST MINORITY AND THE CISL'S MILITANT LEFT WING HAVE GENERALLY SHARED THE UIL MAJORITY'S RECALCITRANT VIEWPOINT. VANNI'S FOLLOWERS ARE MEETING DECEMBER 18 "TO CONSIDER ECONOMIC AND POLITICAL PROBLEMS" (AND PERHAPS TO DECIDE WHETHER TO BOLT THE UIL, FORM AN OPEN OPPOSITION GROUP OR REMAIN AS IS). A LEADING NEWSPAPER (MILANS CORRIERE DELLA SERA) REPORTS RUMORS THAT A COMPROMISE PROPOSAL ON THE ESCALATOR MAY EMERGE FROM THE UIL CENTRAL COMMITTEE MEETING, AND THAT THIS PROPOSAL MAY INVOLVE SKIPPING THE FEBRUARY 1977 COST-OF-LIVING ADJUSTMENT ON A TONE-TIME BASIS. THIS WOULD, IN EFFECT, MAKE THE ADJUSTMENT SEMI-ANNUAL RATHER THAN QUARTERLY FOR THE FIRST HALF OF 1977, BUT WOULD AVOID ANY PERMANENT "TAMPERING" WITH THE ESCALATOR MACHINERY.

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6. CCU-GOI NEGOTIATIONS ON PUBLIC EMPLOYEE CONTRACT RENEWAL TAKE PLACE DECEMBER 16. CCU PUBLIC EMPLOYEE UNIONS ARE REPORTEDLY ASKING A 10,000 LIRE PER MONTH RAISE IN 1976 AND ANOTHER 15,000 IN 1977, PLUS INCORPORATION ALSO INTO THE 13TH MONTH PAY OF SPECIAL EQUALIZATION PAY OR BONUSES PAID EVERY MONTH BUT NOT NOW INCLUDED IN THE 13TH MONTH. THIS INCORPORATION OF EQUALIZATION BONUSES WOULD MEAN AN ANNUAL COST INCREASE APPROXIMATELY EQUAL TO THAT OF THE 10,000 MONTHLY INCREASE FOR 1976. THE GOI PROPOSED EITHER THE 10,000 MONTHLY INCREASE FOR 1976. THE GOI PROPOSED EITHER THE 10,000 LIRE OR THE EQUALIZATION BONUS IN 1976 PLUS ANOTHER 10,000 LIRE IN 1977. THE CCU IS ALSO PROPOSING THAT PENDING GOVERNMENT ORGANIZATIONAL AND CIVIL SERVICE REFORMS BE IMPLEMENTED JANUARY 1, 1978, WITH ECONOMIC BENEFITS RESULTING FROM THEM EFFECTIVE AT THE SAME TIME (ESTIMATED AVERAGE COST ABOUT 25,000 LIRE PER MONTH PER EMPLOYEE). THE GOI WANTS TO DELAY THE REFORMS UNTIL JULY 1978 AND THEIR ECONOMIC EFFECT UNTIL 1979. THE UNIONS ARE ALSO PUSHING, AND THE GOI RESISTING OTHER GOVERNMENT ORGANIZATIONAL REFORMS WITHOUT ANY SIGNIFICANT COST INCREASE EFFECTS. THE CCU IS CONSIDERING A GENERAL NATIONWIDE STRIKE DECEMBER 21 IF THE DECEMBER 16 NEGOTIATIONS RESULTS ARE NOT SATISFACTORY. AUTONOMOUS UNIONS HAVE ALREADY ANNOUNCED A VARIETY OF STRIKES OVER THE HOLIDAYS. CCU SOURCES SEEM MILDLY OPTIMISTIC THAT THE PUBLIC EMPLOYEE NEGOTIATIONS WILL BE RESOLVED.

7. THE CCU SECRETARIAT WILL ASSESS THE SITUATION NEXT WEEK, AFTER THE UIL MEETINGS AND PUBLIC EMPLOYEE NEGOTIATIONS. LABOR AND GOVERNMENT WILL THEN RESUME DISCUSSIONS DECEMBER 29. THE CCU POSITION WILL BE RESOLVED AT A NATIONAL ASSEMBLY OF ABOUT 2000 DELEGATES FROM MEMBR UNIONS OF THE THREE CONFEDERATIONS.

THE ASSEMBLY WILL MEET IN ROME JANUARY 7-8. REPORTEDLY, THE

CONFINDUSTRIA WILL POSTPONE RESUMPTION OF THEIR LABOR COST
AND PRODUCTIVITY NEGOTIATIONS UNTIL AFTER THE ASSEMBLY. A
RECENTLY-CONCLUDED NATIONAL CHEMICAL WORKERS CONGRESS IN FLORENCE
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GAVE POSITIVE SIGNS THAT THE NATIONAL LABOR LEADERSHIP MAY BE
ABLE TO WIN OVER THE RANK-AND-FILE TO ACCEPT THE SACRIFICES THE
CCU LEADERSHIP IS PROPOSING. UIL SECRETARY GENERAL BENVENUTO,
SPEAKING FOR THE CCU SECRETARIAT, RECEIVED SOLID APPLAUSE FOR
HIS SPEECH INSISTING ON SACRIFICES AND SPELLING THEM OUT,
BUT CRITICIZING GOI INACTION AND URGING GOI INVESTMENT AND
EMPLOYMENT COMMITMENTS. THE CHEMICAL WORKERS CONGRESS WAS ALSO
AGREEABLE TO SACRIFICE THEIR SPECIALLY-FAVORABLE ESCALATOR
SYSTEM, IN EXCHANGE FOR SOME UPGRADING OF SKILL CLASSIFICATIONS.
REPORTS OF PLANT AND COMPANY LEVEL WORKER ASSEMBLIES IN NORTH
ITALY HAVE PROVIDED A MIXED, LESS POSITIVE PICTURE OF RANK-AND-
FILE RESPONSE TO SACRIFICE PROPOSALS AFFECTING THEIR WAGE AND
COST-OF-LIVING INCREASES AND WORKING CONDITION GAINS. CCU
LEADERS MAY THUS HAVE DIFFICULTY IN SELLING THEIR SACRIFICE
PROPOSALS AT THE JANUARY 7-8 ASSEMBLY. BEAUDRY

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